

**UNIFIED SCHOOL
DISTRICT #235
UNIONTOWN, KANSAS**

Statutory Basis Financial Statements
and Independent Auditors' Report
with Supplemental Information
For the Fiscal Year Ended June 30, 2011

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS**

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 - 2
Statement 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3 - 4
Statement 2	
Summary of Expenditures - Actual and Budget	5
Statement 3	
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund.....	6 - 7
Supplemental General Fund	8
Four Year Old At Risk Fund	9
K-12 At Risk Fund.....	10
Bilingual Education Fund.....	11
Special Capital Outlay Fund.....	12
Driver Training Fund.....	13
Food Service Fund.....	14
Professional Development Fund	15
Special Education Fund	16
Vocational Education Fund	17
Gifts and Grants Fund.....	18
KPERs Retirement Fund.....	19
Contingency Reserve Fund.....	20
Title II D Fund	21
Title I Fund	22
Title IV Drug Free Schools Fund	23
Title II A Teacher Quality Fund.....	24
Bond and Interest Fund.....	25
Bennett Memorial Scholarship Fund.....	26
Statement 4	
Statement of Cash Receipts and Cash Disbursements - Agency Funds	
Student Organizations Fund	27

TABLE OF CONTENTS
(Continued)

	<u>PAGE NUMBER</u>
Statement 5	
Statement of Cash Receipts, Expenditures and Unencumbered Cash - District Activity Funds	28
Notes to the Financial Statements	29 - 40
 SUPPLEMENTAL INFORMATION	
Schedule 1	
Schedule of Cash Receipts, Cash Disbursements and Cash Balances - High School Activity Fund.....	41
Elementary School Activity Fund	42
 FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards.....	43
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	44 - 45
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 - 47
Schedule of Findings and Questioned Costs.....	48 - 49
Corrective Action Plan.....	50

Diehl Banwart Bolton

Certified Public Accountants P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District #235
Uniontown, Kansas 66779

We have audited the accompanying financial statements of the Unified School District #235, Uniontown, Kansas, as of June 30, 2011, and for the fiscal year then ended. These financial statements are the responsibility of Unified School District #235 management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative information for the fiscal year ended June 30, 2010 has been derived from the District's 2010 financial statements and, in our report dated December 13, 2010, we expressed an unqualified opinion on the primary government financial statements prepared in accordance with the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the **Kansas Municipal Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas, which practices differ from the accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting practices generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Board of Education
Unified School District #235
Uniontown, Kansas

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District #235 Uniontown, Kansas, as of June 30, 2011, or the results of its operations, for the fiscal year then ended. Further, the District has not presented management's discussion and analysis that has been determined under accounting principles generally accepted in the United States as necessary to supplement, although not required to be a part of, the basic financial statements.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2011, and its cash receipts, cash disbursements, and expenditures compared to budget, for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The accompanying Schedule of Expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.



DIEHL, BANWART, BOLTON, CPAs P.A.

October 21, 2011
Fort Scott, Kansas

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS**

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Add	
					Encumbrances and Accounts Payable	Cash Balances June 30, 2011
						2010
GOVERNMENTAL TYPE FUNDS						
General Fund	(\$260,947.00)	\$3,607,811.89	\$3,694,887.00	(\$348,022.11)	\$226,281.18	(\$57,734.38)
Special Revenue Funds						
Supplemental General	(80,567.94)	799,403.52	737,000.00	(18,164.42)	20,461.23	(54,686.50)
4 Year Old At Risk	2,974.89	44,000.00	38,929.58	8,045.31	6,088.69	8,120.29
K - 12 At Risk	163,453.74	386,244.00	433,297.58	116,400.16	63,727.98	208,652.53
Bilingual Education	1,191.55	9,700.00	9,457.93	1,433.62	1,567.80	1,191.55
Special Capital Outlay	153,955.02	171,632.91	27,927.72	297,660.21	-	484,066.40
Driver Training	9,599.59	5,068.00	4,664.34	10,003.25	-	9,599.59
Food Service	74,524.94	237,436.69	243,322.42	68,639.21	14,738.61	87,671.12
Professional Development	3,503.87	-	65.00	3,438.87	-	3,503.87
Special Education	24,067.16	575,250.00	491,442.96	107,874.20	3,765.92	81,607.50
Vocational Education	27,927.08	94,600.00	103,012.48	19,514.60	8,050.98	34,873.92
Gifts and Grants	89,667.93	94,655.00	100,625.38	83,697.55	-	89,667.93
KPERS Retirement	-	203,698.03	203,698.03	-	-	-
Contingency Reserve	253,907.88	100,609.05	62,901.12	291,615.81	-	253,907.88
Title IID	-	411.00	411.00	-	67.86	-
Title I	-	121,343.00	121,343.00	-	18,458.64	19,417.33
Title IV Drug Free Schools	-	-	-	-	5,626.00	-
Title II A Teacher Quality	-	34,436.00	34,436.00	-	-	-
Gate Receipts	7,702.77	25,253.27	30,902.51	2,053.53	-	7,702.77
Debt Service Fund						
Bond and Interest	122,793.32	135,165.10	154,070.00	103,888.42	-	122,793.32
FIDUCIARY TYPE FUNDS						
Unexpendable Trust Funds						
Bennett Memorial Scholarship	63,889.58	705.58	1,500.00	63,095.16	-	63,889.58
Total Reporting Entity	\$657,644.38	\$6,647,423.04	\$6,493,894.05	\$811,173.37	\$368,834.89	\$1,364,244.70

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2011

Composition of Cash		
Board Checking Account	\$912,759.57	\$1,090,552.35
Activity Checking Accounts	34,690.72	34,285.47
Memorial Accounts	63,095.16	63,889.58
Petty cash	2,100.00	2,100.00
Certificates of Deposit	200,000.00	200,000.00
Total Cash	1,212,645.45	1,390,827.40
Agency Funds per Statement 4	(32,637.19)	(26,582.70)
Total Reporting Entity	<u>\$1,180,008.26</u>	<u>\$1,364,244.70</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2011

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Favorable (Unfavorable)
					Charged to Current Year Budget	Budget	
GOVERNMENTAL TYPE FUNDS							
General Fund	\$3,757,639.00	(\$63,552.00)	\$800.00	\$3,694,887.00	\$3,694,887.00		-
Special Revenue Funds							
Supplemental General (LOB)	737,000.00	-	-	737,000.00	737,000.00		-
4 Year Old At Risk	49,975.00	-	-	49,975.00	38,929.58		11,045.42
K - 12 At Risk	497,554.00	-	-	497,554.00	433,297.58		64,256.42
Bilingual Education	9,892.00	-	-	9,892.00	9,457.93		434.07
Special Capital Outlay	496,067.00	-	-	496,067.00	27,927.72		468,139.28
Driver Training	13,279.00	-	-	13,279.00	4,664.34		8,614.66
Food Service	341,409.00	-	-	341,409.00	243,322.42		98,086.58
Professional Development	3,504.00	-	-	3,504.00	65.00		3,439.00
Special Education	583,126.00	-	-	583,126.00	491,442.96		91,683.04
Vocational Education	119,527.00	-	-	119,527.00	103,012.48		16,514.52
KPERS Contribution	266,055.00	-	-	266,055.00	203,698.03		62,356.97
Debt Service Fund							
Bond and Interest	154,125.00	-	-	154,125.00	154,070.00		55.00
	<u>\$7,029,152.00</u>			<u>\$6,966,400.00</u>	<u>\$6,141,775.04</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem property tax	\$220,011.62	\$208,509.72	\$190,327.00	\$18,182.72
Delinquent tax	5,615.63	3,706.17	10,249.00	(6,542.83)
Other	409.97	-	-	-
County Sources				
Severance tax	312.78	-	-	-
State Sources				
General aid	2,920,250.00	2,864,162.00	3,138,893.00	(274,731.00)
Special Education	406,229.00	346,764.00	351,332.00	(4,568.00)
Mentor Teacher grant	-	800.00	-	800.00
Federal Sources				
Federal Education Jobs	-	117,032.00	-	117,032.00
Federal Stabilization	181,204.00	66,838.00	66,838.00	-
Total Cash Receipts	3,734,033.00	3,607,811.89	\$3,757,639.00	\$11,639.89
Expenditures				
Instruction	1,819,499.84	1,798,802.51	\$1,956,785.00	\$157,982.49
Support Services				
Student Support	84,827.75	21,682.31	29,965.00	8,282.69
Instructional Support	28,091.32	5,484.61	6,700.00	1,215.39
General Administration	43,924.13	118,028.40	110,903.00	(7,125.40)
School Administration	302,952.99	206,191.79	199,551.00	(6,640.79)
Operations and Maintenance	247,565.67	262,324.97	259,008.00	(3,316.97)
Transportation	222,952.97	237,361.77	247,744.00	10,382.23
Other Supplemental Service	33,619.36	40,728.59	37,114.00	(3,614.59)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures (Continued)				
Operating Transfers to Other Funds				
4 Year Old At Risk	\$32,000.00	\$44,000.00	47,000.00	\$3,000.00
K - 12 At Risk	279,861.00	326,300.00	334,100.00	7,800.00
Bilingual Education	-	4,000.00	8,700.00	4,700.00
Special Capital Outlay	59,415.97	102,023.00	89,710.00	(12,313.00)
Food Service	6,000.00	-	9,700.00	9,700.00
Special Education	343,610.00	405,750.00	399,059.00	(6,691.00)
Vocational Education	53,145.00	21,600.00	21,600.00	-
Contingency Reserve	89,041.00	100,609.05	-	(100,609.05)
Subtotal Expenditures	3,646,507.00	3,694,887.00	3,757,639.00	
Adjustments to Budget For:				
Legal Max Budget Adjustment	-	-	(63,552.00)	(63,552.00)
Adjustment for Grants and Reimbursed Expenditures	-	-	800.00	800.00
Total Expenditures	3,646,507.00	3,694,887.00	\$3,694,887.00	-
Receipts Over (Under) Expenditures	87,526.00	(87,075.11)		
Unencumbered Cash, Beginning	(348,473.00)	(260,947.00)		
Unencumbered Cash, Ending	(\$260,947.00)	(\$348,022.11)		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
SUPPLEMENTAL GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem property tax	\$226,409.49	\$239,614.91	\$210,093.00	(\$29,521.91)
Delinquent tax	6,291.05	3,547.88	10,794.00	7,246.12
County Sources				
Motor vehicle tax	35,203.03	29,297.73	40,524.00	11,226.27
State Sources				
General aid	345,717.00	526,943.00	467,576.00	(59,367.00)
ARRA Stabilization	114,729.00	-	-	-
Total Cash Receipts	\$728,349.57	\$799,403.52	\$728,987.00	(\$70,416.52)
Expenditures				
Instruction	\$29,955.50	\$15,864.43	\$13,000.00	(\$2,864.43)
Support Services				
Student Support	78,596.39	68,800.52	166,028.00	97,227.48
Instructional Support	-	96,475.44	-	(96,475.44)
General Administration	121,504.81	106,911.26	83,000.00	(23,911.26)
Operations and Maintenance	264,442.95	136,263.60	216,788.00	80,524.40
Other Supplemental Service	-	-	28,184.00	28,184.00
Operating Transfers to Other Funds				
4 Year Old At Risk	7,600.00	-	-	-
K - 12 At Risk	85,234.00	59,944.00	-	(59,944.00)
Bilingual Education	-	5,700.00	-	(5,700.00)
Food Service	-	4,540.75	-	(4,540.75)
Special Education	67,000.00	172,500.00	160,000.00	(12,500.00)
Vocational	64,666.00	70,000.00	70,000.00	-
Total Expenditures	\$718,999.65	\$737,000.00	\$737,000.00	-
Receipts Over (Under) Expenditures	9,349.92	62,403.52		
Unencumbered Cash, Beginning	(89,917.86)	(80,567.94)		
Unencumbered Cash, Ending	(\$80,567.94)	(\$18,164.42)		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
4 YEAR OLD AT RISK FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Favorable (Unfavorable)
Cash Receipts				
Operating Transfer from General Fund	\$32,000.00	\$44,000.00	\$47,000.00	(\$3,000.00)
Supplemental General Fund	7,600.00	-	-	-
Total Cash Receipts	39,600.00	44,000.00	\$47,000.00	(\$3,000.00)
Expenditures				
Instruction	37,214.87	38,929.58	\$49,975.00	\$11,045.42
Total Expenditures	37,214.87	38,929.58	\$49,975.00	\$11,045.42
Receipts Over (Under) Expenditures	2,385.13	5,070.42		
Unencumbered Cash, Beginning	589.76	2,974.89		
Unencumbered Cash, Ending	\$2,974.89	\$8,045.31		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
K - 12 AT RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfer from General Fund	\$279,861.00	\$326,300.00	\$334,100.00	(\$7,800.00)
Supplemental General Fund	85,234.00	59,944.00	-	59,944.00
Total Cash Receipts	365,095.00	386,244.00	\$334,100.00	\$52,144.00
Expenditures				
Instruction	305,234.62	377,113.55	\$440,508.00	\$63,394.45
Student Support Services	27,778.03	56,184.03	57,046.00	861.97
Total Expenditures	333,012.65	433,297.58	\$497,554.00	\$64,256.42
Receipts Over (Under) Expenditures	32,082.35	(47,053.58)		
Unencumbered Cash, Beginning	131,371.39	163,453.74		
Unencumbered Cash, Ending	\$163,453.74	\$116,400.16		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
BILINGUAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfer from				
General Fund	-	\$4,000.00	\$8,700.00	(\$4,700.00)
Supplemental General Fund	-	5,700.00	-	5,700.00
Total Cash Receipts	-	9,700.00	\$8,700.00	\$1,000.00
Expenditures				
Instruction	9,503.16	9,457.93	\$9,892.00	\$434.07
Total Expenditures	9,503.16	9,457.93	\$9,892.00	\$434.07
Receipts Over (Under) Expenditures	(9,503.16)	242.07		
Unencumbered Cash, Beginning	10,694.71	1,191.55		
Unencumbered Cash, Ending	\$1,191.55	\$1,433.62		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
SPECIAL CAPITAL OUTLAY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Actual	Current Year Budget	Variance - Favorable (Unfavorable)
Cash Receipts				
Local Sources				
Interest	\$4,904.77	\$2,801.03	\$2,000.00	\$801.03
Other	43,681.84	66,808.88	-	66,808.88
Operating Transfer from General Fund	59,415.97	102,023.00	10,000.00	92,023.00
Total Cash Receipts	108,002.58	171,632.91	\$12,000.00	\$159,632.91
Expenditures				
Instruction	41,964.91	1,342.75	\$25,000.00	\$23,657.25
Transportation Property	79,213.43	1,213.65	110,000.00	108,786.35
Facility Acquisition and Construction				
Repair and Remodeling	621,392.18	25,371.32	361,067.00	335,695.68
Total Expenditures	742,570.52	27,927.72	\$496,067.00	\$468,139.28
Receipts Over (Under) Expenditures	(634,567.94)	143,705.19		
Unencumbered Cash, Beginning	788,522.96	153,955.02		
Unencumbered Cash, Ending	\$153,955.02	\$297,660.21		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
DRIVER TRAINING FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$2,398.01	\$2,848.00	\$2,000.00	\$848.00
State Sources				
State safety aid	1,450.00	2,220.00	1,680.00	540.00
Total Cash Receipts	3,848.01	5,068.00	\$3,680.00	\$1,388.00
Expenditures				
Instruction	6,516.50	4,359.84	\$6,640.00	\$2,280.16
Vehicle Operating Services	497.98	304.50	6,639.00	6,334.50
Total Expenditures	7,014.48	4,664.34	\$13,279.00	\$8,614.66
Receipts Over (Under) Expenditures	(3,166.47)	403.66		
Unencumbered Cash, Beginning	12,766.06	9,599.59		
Unencumbered Cash, Ending	\$9,599.59	\$10,003.25		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
FOOD SERVICE FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Sales of food	\$83,206.47	\$69,512.34	\$82,177.00	(\$12,664.66)
Other	1,259.38	1,098.70	30,000.00	(28,901.30)
State Sources				
State aid	2,790.18	2,592.83	2,239.00	353.83
Federal Sources				
School lunch and breakfast program	152,323.12	152,204.29	142,768.00	9,436.29
Fresh fruits and vegetables grant	-	7,487.78	-	7,487.78
Operating Transfer from				
General Fund	6,000.00	-	9,700.00	(9,700.00)
Supplemental General Fund	-	4,540.75	-	4,540.75
Total Cash Receipts	245,579.15	237,436.69	\$266,884.00	(\$29,447.31)
Expenditures				
Food Service Operations	238,130.34	243,322.42	341,409.00	98,086.58
Total Expenditures	238,130.34	243,322.42	\$341,409.00	\$98,086.58
Receipts Over (Under) Expenditures	7,448.81	(5,885.73)		
Unencumbered Cash, Beginning	67,076.13	74,524.94		
Unencumbered Cash, Ending	\$74,524.94	\$68,639.21		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
PROFESSIONAL DEVELOPMENT FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Favorable (Unfavorable)
Cash Receipts				
State Sources				
State aid	-	-	-	-
Total Cash Receipts	-	-	-	-
Expenditures				
Instructional Support	15.00	65.00	\$3,504.00	\$3,439.00
Total Expenditures	15.00	65.00	\$3,504.00	\$3,439.00
Receipts Over (Under) Expenditures	(15.00)	(65.00)		
Unencumbered Cash, Beginning	3,518.87	3,503.87		
Unencumbered Cash, Ending	\$3,503.87	\$3,438.87		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
SPECIAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	-	-	-
Operating Transfer from Other Funds				
General Fund	343,610.00	405,750.00	399,059.00	6,691.00
Supplemental General Fund	67,000.00	169,500.00	160,000.00	9,500.00
Total Cash Receipts	410,610.00	575,250.00	\$559,059.00	\$16,191.00
Expenditures				
Instruction	443,198.61	457,328.57	\$530,526.00	\$73,197.43
Student Transportation Services	14,676.69	34,114.39	52,600.00	18,485.61
Total Expenditures	457,875.30	491,442.96	\$583,126.00	\$91,683.04
Receipts Over (Under) Expenditures	(47,265.30)	83,807.04		
Unencumbered Cash, Beginning	71,332.46	24,067.16		
Unencumbered Cash, Ending	\$24,067.16	\$107,874.20		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
VOCATIONAL EDUCATION FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfer from Other Funds				
General Fund	\$53,145.00	\$21,600.00	\$21,600.00	-
Supplement General Fund	64,666.00	73,000.00	70,000.00	3,000.00
Total Cash Receipts	117,811.00	94,600.00	\$91,600.00	\$3,000.00
Expenditures				
Instruction	165,894.18	103,012.48	\$119,527.00	\$16,514.52
Total Expenditures	165,894.18	103,012.48	\$119,527.00	\$16,514.52
Receipts Over (Under) Expenditures	(48,083.18)	(8,412.48)		
Unencumbered Cash, Beginning	76,010.26	27,927.08		
Unencumbered Cash, Ending	\$27,927.08	\$19,514.60		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
GIFTS AND GRANTS FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Other	\$88,060.41	\$81,400.00
Federal Sources		
REAP Grant	18,952.00	13,255.00
Total Cash Receipts	107,012.41	94,655.00
Expenditures		
Instruction	26,223.18	25,625.38
Support Services	74,946.00	75,000.00
Other	732.27	-
Transfers to Other Operating Funds		
K - 12 At Risk	-	-
Total Expenditures	101,901.45	100,625.38
Receipts Over (Under) Expenditures	5,110.96	(5,970.38)
Unencumbered Cash, Beginning	84,556.97	89,667.93
Unencumbered Cash, Ending	\$89,667.93	\$83,697.55

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
KPERS RETIREMENT FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
State Sources				
KPERS aid	\$235,446.93	\$203,698.03	\$266,055.00	(\$62,356.97)
Total Cash Receipts	235,446.93	203,698.03	\$266,055.00	(\$62,356.97)
Expenditures				
Instruction	165,984.20	143,607.13	\$185,855.00	\$42,247.87
Support Services				
Student Support	10,830.57	9,370.11	20,500.00	11,129.89
Instructional Support	1,884.59	1,629.60	2,000.00	370.40
General Administration	12,008.81	10,388.62	12,000.00	1,611.38
School Administration	18,601.32	16,092.18	19,000.00	2,907.82
Operations and Maintenance	9,183.35	7,944.23	9,200.00	1,255.77
Transportation	10,596.12	9,166.41	11,000.00	1,833.59
Food Service	6,357.97	5,499.75	6,500.00	\$1,000.25
Total Expenditures	235,446.93	203,698.03	\$266,055.00	\$62,356.97
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
CONTINGENCY RESERVE FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Operating Transfer from General Fund	<u>\$89,041.00</u>	<u>\$100,609.05</u>
Total Cash Receipts	<u>89,041.00</u>	<u>100,609.05</u>
Expenditures		
Support Services	<u>74,466.97</u>	<u>62,901.12</u>
Total Expenditures	<u>74,466.97</u>	<u>62,901.12</u>
Receipts Over (Under) Expenditures	14,574.03	37,707.93
Unencumbered Cash, Beginning	<u>239,333.85</u>	<u>253,907.88</u>
Unencumbered Cash, Ending	<u>\$253,907.88</u>	<u>\$291,615.81</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
TITLE II D FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$1,163.00	\$411.00
Federal aid ARRA	2,860.00	-
Total Cash Receipts	4,023.00	411.00
Expenditures		
Instruction	4,023.00	411.00
Total Expenditures	4,023.00	411.00
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
TITLE I FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal aid	\$117,287.00	\$121,343.00
Federal aid ARRA	94,952.00	-
Total Cash Receipts	<u>212,239.00</u>	<u>121,343.00</u>
Expenditures		
Instruction	<u>220,424.70</u>	<u>121,343.00</u>
Total Expenditures	<u>220,424.70</u>	<u>121,343.00</u>
Receipts Over (Under) Expenditures	(8,185.70)	-
Unencumbered Cash, Beginning	<u>8,185.70</u>	<u>-</u>
Unencumbered Cash, Ending	<u>-</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
TITLE IV - DRUG FREE SCHOOLS FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$1,962.00	-
Total Cash Receipts	1,962.00	-
Expenditures		
Instruction	1,962.00	-
Total Expenditures	1,962.00	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
TITLE II A TEACHER QUALITY FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$34,906.00	\$34,436.00
Total Cash Receipts	34,906.00	34,436.00
Expenditures		
Instruction	34,906.00	34,436.00
Total Expenditures	34,906.00	34,436.00
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
BOND AND INTEREST FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem property tax	\$45,650.71	\$44,675.01	\$40,310.00	\$4,365.01
Delinquent tax	2,299.18	1,434.27	2,105.00	(670.73)
Interest	627.11	-	-	-
County Sources				
Motor vehicle tax	11,995.91	8,939.82	11,247.00	(2,307.18)
State Sources				
State aid	79,648.00	80,116.00	80,132.00	(16.00)
Total Cash Receipts	140,220.91	135,165.10	\$133,794.00	\$1,371.10
Expenditures				
Debt Service				
Principal	100,000.00	128,485.00	\$105,000.00	(\$23,485.00)
Interest	53,170.00	25,585.00	49,125.00	23,540.00
Other	-	-	-	-
Total Expenditures	153,170.00	154,070.00	\$154,125.00	\$55.00
Receipts Over (Under) Expenditures	(12,949.09)	(18,904.90)		
Unencumbered Cash, Beginning	135,742.41	122,793.32		
Unencumbered Cash, Ending	\$122,793.32	\$103,888.42		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
BENNETT MEMORIAL SCHOLARSHIP FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Interest	\$1,038.51	\$705.58
Total Cash Receipts	1,038.51	705.58
Expenditures		
Scholarships	1,650.00	1,500.00
Total Expenditures	1,650.00	1,500.00
Receipts Over (Under) Expenditures	(611.49)	(794.42)
Unencumbered Cash, Beginning	64,501.07	63,889.58
Unencumbered Cash, Ending	<u>\$63,889.58</u>	<u>\$63,095.16</u>

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
AGENCY FUNDS**

Statement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Agency Funds				
Student Organizations				
High School	\$21,700.86	\$105,681.11	\$104,191.98	\$23,189.99
Elementary School	4,881.84	20,626.70	16,061.34	9,447.20
Total Agency Funds	<u>\$26,582.70</u>	<u>\$126,307.81</u>	<u>\$120,253.32</u>	<u>\$32,637.19</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Add		Cash Balances June 30, 2010
					Encumbrances and Accounts Payable	2011	
Gate Receipts							
High School - Athletics	\$7,702.77	\$25,253.27	\$30,902.51	\$2,053.53	-	\$2,053.53	\$7,702.77
Total Gate Receipts	7,702.77	25,253.27	30,902.51	2,053.53	-	2,053.53	7,702.77
Total District Activity Funds	\$7,702.77	\$25,253.27	\$30,902.51	\$2,053.53	-	\$2,053.53	\$7,702.77

The notes to the financial statements are an integral part of this statements.

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Unified School District #235, Uniontown, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. These financial statements represent Unified School District #235 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of Unified School District #235:

GOVERNMENTAL FUNDS

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of Unified School District #235.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Basis of Presentation - Fund Accounting - (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Unexpendable Trust Funds, and Agency Funds.

Basis of Presentation - Statutory Basis Financial Statements

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash receipts do not include the final State Aid payment actually received after June 30. Note 12 shows the General Fund and Supplemental General Fund financial statements including the State Aid payment received after June 30. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departures From Accounting Principles Generally Accepted in the United States of America

The basis of presentation described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. The General Fixed Assets Account Group that accounts for the land, buildings and equipment owned by the Unified School District #235 is not recorded.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The General Fund Budget was amended as shown in Note 11. The General Fund Budget was subsequently reduced to the legal maximum budget after the final audited enrollment by the State.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds, capital project funds, or the following special revenue funds:

Contingency Reserve Fund	K.S.A. 72-6426
Federal Grants Fund	K.S.A. 12-1663
Title II D Fund	K.S.A. 12-1663
Gifts and Grants Fund	K.S.A. 12-1663
Title I Fund	K.S.A. 12-1663
Title IV Drug Free Schools Fund	K.S.A. 12-1663
Title II A Teacher Quality Fund	K.S.A. 12-1663

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)
Budgetary Information (Continued)

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

Cash and Investments

Cash and investments include money market checking accounts and certificates of deposit. Kansas statutes permit investment in money market checking accounts, savings accounts, certificates of deposit, repurchase agreements, and obligations of the U.S. Treasury.

Compensated Absences

All regular full-time non-certified employees are eligible for vacation benefits. Employees are not allowed to accumulate and carry forward vacation benefits past their anniversary date.

Employees accrue sick leave at the rate of 8 days per year to a maximum of ninety days. Certified, full-time employees will be paid for accumulated sick leave upon separation from the District, which will include retirement, disability, reduction in force, or death. Certified employees payment will be at \$35.00 per day. Classified employees will be reimbursed for unused sick leave days upon KPERS retirement or death. Classified employees payment will be at \$12.50 per day.

The District accrues a liability for compensated absences, which meet the following criteria:

1. The District's obligation relating to the employee's right to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with this criteria, the District has accrued a liability for sick pay which has been earned but not taken by District employees.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. The District was in apparent compliance with the cash basis and budget laws of Kansas. The negative cash balances in the General and Supplemental General Funds are not violations due to state aid receivable as discussed in Note 11.

3. **CASH IN BANK AND DEPOSITORY SECURITY**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011 the District's carrying amount of deposits was \$1,212,645.45 and the bank balance was \$1,234,218.72. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$261,332.12 was covered by federal depository insurance, \$972,886.60 was collateralized with securities held by the pledging financial institutions' agents in the District's name. The fair value of the pledged securities was \$1,498,126.52.

4. PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System ("KPERS"), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009, and 6% of covered salary for employees hired from July 1, 2009 to the present. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. For July 1, 2010 to June 30, 2011, the State of Kansas contributes 9.17% of covered payroll. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2011, 2010, and 2009, were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the statutory required contributions for each year. The KPERS Retirement Fund reports the amount paid by the State for the District's employees.

5. RELATED PARTIES

The District's demand and time deposits are at the only bank in the District. The District's treasurer is also president of the bank.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District continues to carry commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

7. CONTINGENCIES

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

8. INTERFUND TRANSFERS

<u>FROM</u>	<u>TO</u>	<u>STATUTORY AUTHORITY</u>	<u>AMOUNT</u>
General	Four Year Old At Risk	K.S.A.72-414b	\$ 44,000.00
General	K-12 At Risk	K.S.A.72-414a	326,300.00
General	Bilingual Education	K.S.A. 72-6428	4,000.00
General	Special Capital Outlay	K.S.A. 72-6428	102,023.00
General	Special Education	K.S.A. 72-6428	405,750.00
General	Vocational Education	K.S.A. 72-6428	21,600.00
General	Contingency Reserve	K.S.A. 72-6426	100,609.05
Supplemental General	K-12 At Risk	K.S.A. 72-6433	59,944.00
Supplemental General	Bilingual Education	K.S.A. 72-6433	5,700.00
Supplemental General	Food Service	K.S.A. 72-6433	4,540.70
Supplemental General	Special Education	K.S.A. 72-6433	172,500.00
Supplemental General	Vocational Education	K.S.A. 72-6433	70,000.00

9. POST EMPLOYMENT BENEFITS

Early Retirement

The District maintains a 403(b) retirement plan for eligible employees. The District makes up to \$300 in matching contributions for employees that defer salary. In addition the District makes contributions ranging from \$200 to \$450 for certified staff. These contributions are based on the number of years of service. For the year ended June 30, 2011, \$38,600 was contributed under the plan. As of June 30, 2011, eligible employees had accumulated sick days valued at \$17,347.

Participation in Group Health Insurance Plan

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

10. SUBSEQUENT EVENT

Subsequent events have been evaluated through the date of the Independent Auditors' Report as shown on page 2 of these financial statements. There are no subsequent events that need to be recognized in these financial statements or disclosed in the notes to the financial statements.

11. BUDGET AMENDMENTS

The General Fund Budget was amended due to enrollment figures higher than the amount originally budgeted as follows:

	<u>Original Budget</u>	<u>Amended Budget</u>
Receipts		
Local Sources	\$ 200,576	\$ 200,576
State Sources	3,395,542	3,490,225
Federal Sources	<u>66,838</u>	<u>66,838</u>
Total Receipts	3,662,956	3,757,639
 Beginning Cash	 <u>-</u>	 <u>-</u>
 Total Sources	 <u>\$ 3,662,956</u>	 <u>\$ 3,757,639</u>
 Expenses		
Instruction	\$ 1,941,812	\$ 1,956,785
Support Services	890,985	890,985
Operating Transfers		
Special Capital Outlay	10,000	89,710
All Other Funds	<u>820,159</u>	<u>820,159</u>
	<u>\$ 3,662,956</u>	<u>\$ 3,757,639</u>

12. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d).

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require school districts, to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these statutes.

12. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d). (Continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET			
For the Year Ended June 30, 2011			
	GENERAL FUND		
	Statutory Transactions	Budget	Variance- Favorable (Unfavorable)
Cash Receipts			
Local Sources			
Ad Valorem Property Tax	\$ 208,510	\$ 190,327	\$ 18,183
Delinquent Tax	3,706	10,249	(6,543)
State Sources			
General Aid	2,951,238	3,138,893	(187,655)
Special Education Aid	346,764	351,332	(4,568)
Mentor Teacher Grant	800	-	800
Federal Sources			
Education Jobs Program	117,032	-	117,032
Federal Stabilization	66,838	66,838	-
Total Cash Receipts	<u>3,694,888</u>	<u>\$ 3,757,639</u>	<u>\$ (62,751)</u>
Expenditures			
Instruction	1,798,802	\$ 1,956,785	\$ 157,983
Support Services			
Student Support	21,682	29,965	8,283
Instructional Support	5,485	6,700	1,215
General Administration	118,028	110,903	(7,125)
School Administration	206,192	199,551	(6,641)
Operations and Maintenance	262,325	259,008	(3,317)
Transportation	237,362	247,744	10,382
Other Supplemental Services	40,729	37,114	(3,615)
Operating Transfers to Other Funds			
4 Year Old At Risk	44,000	47,000	3,000
K-12 At Risk	326,300	334,100	7,800
Bilingual Education	4,000	8,700	4,700
Special Capital Outlay	102,023	89,710	(12,313)
Food Service	-	9,700	9,700
Special Education	405,750	399,059	(6,691)
Vocational Education	21,600	21,600	-
Contingency Reserve	100,609	-	(100,609)
Subtotal Expenditures	<u>3,694,887</u>	<u>3,757,639</u>	
Adjustments to Budget			
Adjustment to Comply with Legal Maximum Budget	-	(63,552)	(63,552)
Adjustment for Reimbursed expenses & Grants	-	800	800
Total Expenditures	<u>3,694,887</u>	<u>\$ 3,694,887</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	1		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	<u>\$ 1</u>		

12. **COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d).** (Continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

	SUPPLEMENTAL GENERAL FUND		
	Statutory Transactions	Budget	Variance- Favorable (Unfavorable)
Cash Receipts			
Local Sources			
Ad Valorem Property Tax	\$ 239,615	\$ 210,093	\$ 29,522
Delinquent Tax	3,548	10,794	(7,246)
County Sources			
Motor Vehicle Tax	29,298	40,524	(11,226)
State Sources			
General Aid	466,051	467,576	(1,525)
Total Cash Receipts	<u>738,512</u>	<u>\$ 728,987</u>	<u>\$ 9,525</u>
Expenditures			
Instruction	15,864	\$ 13,000	\$ (2,864)
Support Services			
Instructional Support	68,801	166,028	97,227
General Administration	96,475	-	(96,475)
School Administration	106,911	83,000	(23,911)
Operations and Maintenance	136,264	216,788	80,524
Other Supplemental Service	-	28,184	28,184
Operating Transfers to Other Funds			
4 Year Old At Risk	-	-	-
K-12 At Risk	59,944	-	(59,944)
Bilingual Education	5,700	-	(5,700)
Food Service	4,541	-	(4,541)
Special Education	172,500	160,000	(12,500)
Vocational Education	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total Expenditures	<u>737,000</u>	<u>\$ 737,000</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	1,512		
Unencumbered Cash, Beginning	<u>8,013</u>		
Unencumbered Cash, Ending	<u>\$ 9,525</u>		

13. LONG TERM OBLIGATIONS

The schedules below detail changes in the District's long term obligations and their maturity schedules.

Schedule of Changes in Long-Term Obligations

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions / New Debt	Reductions / Principal Paid	Balances End of Year	Interest Paid
General Obligation Bonds									
School Building Bonds									
Series 2008	4.10-5.00%	5/12/2008	\$1,420,000	9/1/2019	\$1,320,000	\$ -	\$ 105,000	\$1,215,000	\$ 49,070
QZAB Bonds	0.00%	1/1/2005	842,000	1/28/2015	389,695	-	77,939	311,756	N/A
Lease Purchases									
Apple Computer	5.031%	4/10/2008	38,212	7/5/2009	38,212	-	38,212	-	4,299
GMAC Vehicle	13.10%	7/24/2008	29,766	7/24/2011	9,872	-	9,872	-	1,293
Apple Computer	9.520%	10/18/2010	35,429	2/1/2013	-	35,429	12,276	23,153	980
Toyota Vehicle	0.00%	8/13/2010	22,189	8/13/2013	-	22,189	4,931	17,258	-
Compensated Absences									
Sick and Vacation	N/A	N/A	N/A	N/A	16,054	-	-	16,054	N/A
					<u>\$1,773,833</u>	<u>\$ 57,618</u>	<u>\$ 248,230</u>	<u>\$1,583,221</u>	<u>\$ 55,642</u>

13. LONG TERM OBLIGATIONS (Continued)

Schedule of Maturities of Long-Term Obligations

Issue	2012	2013	2014	2015	2016	2017-2020	Totals
Principal Payments							
General Obligation Bonds							
School Building Bonds							
Series 2008	\$ 110,000	\$ 120,000	\$ 125,000	\$ 130,000	\$ 135,000	\$ 595,000	\$1,215,000
QZAB Bonds	77,939	77,939	77,939	77,939	-	-	311,756
Lease Purchases							
Apple Computer	-	-	-	-	-	-	-
GMAC Vehicle	-	-	-	-	-	-	-
Apple Computer	11,052	12,100	-	-	-	-	23,152
Toyota Vehicle	7,396	7,396	2,465	-	-	-	17,257
Total Principal Payments	<u>\$ 206,387</u>	<u>\$ 217,435</u>	<u>\$ 205,404</u>	<u>\$ 207,939</u>	<u>\$ 135,000</u>	<u>\$ 595,000</u>	<u>\$1,567,165</u>
Interest Payments							
General Obligation Bonds							
School Building Bonds							
Series 2008	\$ 44,770	\$ 40,170	\$ 35,270	\$ 30,430	\$ 25,660	\$ 48,325	\$ 224,625
QZAB Bonds	-	-	-	-	-	-	-
Lease Purchases							
Apple Computer	-	-	-	-	-	-	-
GMAC Vehicle	-	-	-	-	-	-	-
Apple Computer	2,204	1,156	-	-	-	-	3,360
Toyota Vehicle	-	-	-	-	-	-	-
Total Interest Payments	<u>46,974</u>	<u>41,326</u>	<u>35,270</u>	<u>30,430</u>	<u>25,660</u>	<u>48,325</u>	<u>227,985</u>
Total Payments	<u>\$ 253,361</u>	<u>\$ 258,761</u>	<u>\$ 240,674</u>	<u>\$ 238,369</u>	<u>\$ 160,660</u>	<u>\$ 643,325</u>	<u>\$1,795,150</u>

SUPPLEMENTAL INFORMATION

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
HIGH SCHOOL ACTIVITY FUND

Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Cash Balance June 30, 2010	Cash Receipts and Transfers	Cash Disbursements and Transfers	Cash Balance June 30, 2011
STUDENT FUNDS				
<u>Agency Funds</u>				
Student Organizations				
Three Rivers League	\$3,660.41	\$1,200.00	\$960.45	\$3,899.96
High School Cheerleaders	48.74	6,040.96	6,611.39	(521.69)
Letter club	136.41	-	-	136.41
Booster Club	2,370.61	5,013.00	4,789.66	2,593.95
Junior High Cheerleaders	(283.26)	3,587.23	2,281.82	1,022.15
High School Dance team	-	30.00	30.00	-
Junior High Choir	69.90	96.00	135.89	30.01
Publications	-	14.12	-	14.12
Scholars Bowl	27.74	-	-	27.74
Forensics	455.67	-	-	455.67
Band	1,127.55	-	109.37	1,018.18
Student Council	201.70	1,053.25	1,060.45	194.50
Yearbook	3,292.62	7,627.89	8,338.62	2,581.89
Environmental Science	7.96	-	-	7.96
National Honor Society	548.85	1,423.00	1,510.53	461.32
FFA	2,198.01	54,704.51	53,900.39	3,002.13
KAYS	1,003.04	4,141.95	4,488.69	656.30
Pep Club	3.21	-	-	3.21
Math Club	-	777.55	621.81	155.74
Drama Club	551.27	452.00	77.30	925.97
Science Club	474.46	-	-	474.46
Spanish Club	661.94	1,508.45	873.60	1,296.79
Art Club	5.46	286.50	286.00	5.96
History Day	2.17	-	-	2.17
Senior Class	214.38	4,597.79	4,806.17	-
Junior Class	1,743.25	3,519.05	4,497.94	764.36
Sophomore Class	295.00	135.42	264.95	165.47
Freshman Class	32.03	180.00	32.03	180.00
Pass Thru	40.00	637.94	638.92	39.02
Student Needs Fund	1,469.59	764.38	21.00	2,212.97
Change	1,000.00	7,855.00	7,855.00	1,000.00
Student Activity Funds Interest	342.15	41.12	-	383.27
TOTALS - CASH BASIS	21,700.86	105,681.11	104,191.98	23,189.99
<u>Special Revenue Funds</u>				
Gate Receipts				
Athletics - CASH BASIS	7,702.77	25,253.27	30,902.51	2,053.53
GRAND TOTALS (MEMORANDUM ONLY)	\$29,403.63	\$130,934.38	\$135,094.49	\$25,243.52

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
ELEMENTARY SCHOOL ACTIVITY FUND
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Cash Balance June 30, 2010	Cash Receipts and Transfers	Cash Disbursements and Transfers	Cash Balance June 30, 2011
STUDENT FUNDS				
<u>Agency Funds</u>				
Student Organizations				
Yearbook, Fundraising, & Other	\$4,881.84	\$20,626.70	\$16,061.34	\$9,447.20
TOTALS - CASH BASIS	4,881.84	20,626.70	16,061.34	9,447.20
GRAND TOTALS (MEMORANDUM ONLY)	\$4,881.84	\$20,626.70	\$16,061.34	\$9,447.20

UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor</u> Pass Through Grantor Program Title	<u>Federal</u> CFDA Number	<u>Pass Through</u> Grantor's Number	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed Through the State of Kansas				
Department of Education				
School Breakfast Program	10.553	(1)	\$35,502.72	\$35,502.72
National School Lunch Program	10.555	(1)	116,701.57	116,701.57
Fresh Fruits and Vegetables Program	10.582	(1)	7,487.78	7,487.78
Total U.S. Department of Agriculture			159,692.07	159,692.07
<u>U.S. Department of Education</u>				
Direct Grant from the U.S. Department of Education				
Small Rural School Achievement Prog	84.358	N/A	13,255.00	13,255.00
Passed Through the State of Kansas				
Department of Education				
Title I Grants to Local Education Agencies	84.010	(1)	121,343.00	121,343.00
Tech Literacy	84.318	(1)	411.00	411.00
Title II Improving Teacher Quality	84.367	(1)	34,436.00	34,436.00
Stabilization ARRA	84.394	(1)	66,838.00	66,838.00
Education Jobs Program	84.410	(1)	117,032.00	117,032.00
Totals U.S. Department of Education			353,315.00	353,315.00
Total Federal Awards			\$513,007.07	\$513,007.07

Notes to the Schedule of Expenditures of Federal Awards

- (1) The number is not available.
- (2) Receipts and expenditures in this schedule are recorded using the same method of accounting used in the basic financial statements. Receipts are recorded when the cash is received and not when earned. Expenditures are recorded when cash is paid and includes payables as well as encumbrances.

Diehl Banwart Bolton

Certified Public Accountants P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Unified School District #235
Uniontown, Kansas 66779

Compliance

We have audited the compliance of Unified School District #235 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Unified School District #235 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Unified School District #235 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.


A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DIEHL, BANWART, BOLTON, CPAs P.A.

October 21, 2011
Fort Scott, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Unified School District #235
Uniontown, Kansas 66779

We have audited the financial statements of Unified School District #235 as of the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2011-1) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, we would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted matters involving internal controls that we have reported to management in a letter dated October 21, 2011.

This report is intended solely for the information and use of the audit committee, management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DIEHL, BANWART, BOLTON, CPAs PA

October 21, 2011
Fort Scott, Kansas

**UNIFIED SCHOOL DISTRICT #235
UNIONTOWN, KANSAS**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting.
- Unqualified opinion on the statutory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency(ies) identified that
are not considered to be material weaknesses? NONE
X YES __ REPORTED

Noncompliance material to financial statements noted?

__ YES X NO

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency(ies) identified that
are not considered to be material weaknesses? NONE
__ YES X REPORTED

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133?

__ YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553 & 10.555	Child Nutrition Cluster
84.010	Title I

Auditee qualified as low-risk auditee?

__ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2011-1 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the statutory basis of accounting.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

UNIFIED SCHOOL DISTRICT #235

June 30, 2011 Financial Statements

Corrective Action Plan

Audit Finding 2011-1

USD #235 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under the statutory basis of accounting. While the USD #235 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management and regulatory purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the disclosure requirements of the statutory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.